

Message Text

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ACTION EUR-12

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BRUSSELS ALSO FOR USEEC

E.O. 11652: N/A
TAGS: ECIN, EEC, YU, GW
SUBJECT: EC-YUGOSLAV RELATIONS: FRG PERSPECTIVE

REF: A) BRUSSELS 14778, B) BRUSSELS 14240

1. SUMMARY. THE EC PERM REPS WILL BE MEETING IN
BRUSSELS NEXT WEEK TO DETERMINE WHETHER THERE EXISTS
WITHIN THE COMMUNITY AN ACCEPTANCE IN PRINCIPLE FOR
CONCLUDING A PREFERENTIAL AGREEMENT WITH YUGOSLAVIA
(REF. B). FRG WORKING LEVEL OFFICIALS ACCEPT THE
PRINCIPLE AND FURTHERMORE HOPE THE AGREEMENT CAN BE
CONCLUDED DURING THE GERMAN PRESIDENCY. END SUMMARY.

2. EMBOFF MET WITH FRG FONOFF OFFICIAL TO REVIEW
FRG ATTITUDES ON EC/YUGOSLAV RELATIONS. SOURCE
SUMMARIZED CURRENT STATUS, I.E. YUGOSLAV DESIRE FOR
A PREFERENTIAL AGREEMENT THAT IS NOT CALLED A
PREFERENTIAL AGREEMENT. PURSUANT TO THE JULY
COUNCIL MEETING, THE PERM REPS WILL MEET NEXT WEEK
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TO SETTLE THE BASIC QUESTION OF WHETHER MEMBER STATES
ACCEPT THIS CONCEPT.

3. WITHIN THE GERMAN GOVERNMENT, THE WORKING LEVEL
IS FAVORABLE TO THE PREFERENTIAL CONCEPT. THE
POLITICAL DECISION-MAKING PROCESS WILL BEGIN
SEPTEMBER 8 WHEN THE GERMAN UNDERSECRETARY'S

COMMITTEE WILL DISCUSS THE ISSUE.

4. SOURCE ELABORATED ON SOME OF THE YUGOSLAV REQUESTS. IN THE TRADE FIELD, THE YUGOSLAVS WANT ACCESS INTO THE EC FOR INDUSTRIAL GOODS. BECAUSE YUGOSLAVIA IS ALREADY A HIGH GSP BENEFICIARY, SUCH AN AGREEMENT WILL NOT HAVE MUCH EFFECT IN THE SHORT TERM. IN THE LONG TERM HOWEVER, WHEN YUGOSLAVIA MIGHT NOT BE ELIGIBLE FOR GSP, AN AGREEMENT WOULD ASSURE THEM OF MARKET ACCESS.

5. IN THE FINANCIAL AREA, SOURCE SEES SOME PROBLEMS WITH INCREASED YUGOSLAV ACCESS TO THE EIB. WHILE THE INSTITUTIONAL PROBLEMS COULD PROBABLY BE OVERCOME, AND THERE ARE SUFFICIENT FUNDS, THE GREATEST FEAR IS THE PRECEDENT WHICH WOULD BE SET. THE CURRENT YUGOSLAV BORROWING FROM EIB WAS SUPPOSED TO BE A UNIQUE CASE. SOURCE MENTIONED THAT ASEAN COUNTRIES MAY BE ASKING FOR ACCESS TO EIB FUNDS.

6. THE LARGEST STUMBLING BLOCK FOR THE FRG IS THE LABOR ISSUE. THE LABOR MINISTRY FEELS THERE IS NO LEGAL BASIS FOR EC ACTION IN THIS AREA.

7. WHILE THERE REMAIN MANY DETAILS TO BE WORKED OUT, SOURCE WAS HOPEFUL THAT AGREEMENT COULD BE CONCLUDED
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DURING THE GERMAN PRESIDENCY. HE FEELS FROM HIS CONTACT WITH OTHER MEMBER STATES, THAT THE POLITICAL CONSIDERATIONS FAVORING AN AGREEMENT NOW RATHER THAN LATER ARE ACCEPTED BY THE MAJORITY OF PARTICIPANTS.
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